EXHIBIT 1

January 10, 2012

Big Banks Face Inquiry Over Home Insurance

By LOUISE STORY

A New York State financial services agency is investigating several large banks to see whether they fraudulently steered homeowners into overpriced insurance policies.

The investigation centers on so-called force-placed insurance that has become increasingly common since the downturn of the housing market began and homeowners had trouble keeping up with payments on their home insurance.

JPMorgan Chase, Bank of America, Citigroup and Wells Fargo are among the major companies involved in the inquiry by the office of Benjamin M. Lawsky, the superintendent of New York State's Department of Financial Services, according to a person briefed on the investigation who asked to remain unidentified because the matter was private.

Mr. Lawsky's office issued 31 subpoenas or other legal notices related to the case in early October, just as the state's insurance and banking departments were merged under his new agency. His office has already turned up instances where mortgage servicing units at large banks steered distressed homeowners into insurance policies up to 10 times as costly as the homeowners' original plans.

In some cases, those policies were offered by affiliates of the banks themselves, raising questions about conflicts of interest; in other cases, there may have been kickbacks between unrelated companies,

according to the person briefed on the investigation.

Representatives of Citigroup and Wells Fargo said they were cooperating with the investigation. Bank of America said it could not comment “on an active matter” but that it had a practice of cooperating with investigators. JPMorgan did not comment.

The investigation is yet another legal battle for the nation’s largest banks and points to the sorts of problems they may continue to face nationwide. The banks, in separate negotiations with federal and state authorities over suspected foreclosure abuses, have been trying to negotiate a settlement with state and federal officials to avoid future investigations, but it is not clear if businesses like home insurance would be covered if a deal were reached.

It also points to one of the many problems that may be holding up the housing recovery. Some homeowners have found it more difficult to refinance their loans after banks tied this compulsory insurance to their loans.

In general, mortgage servicers are allowed to take out insurance policies on homes after a homeowner allows existing coverage to lapse. Though homeowners have little choice and sometimes little notice about the new plans, they often end up shouldering the costs of the insurance through their mortgage payments.

The increased cost is to be expected to some degree because homeowners who missed insurance payments on old policies are risky customers. However, Mr. Lawsky’s office views some of the increases as exorbitant. For instance, in one case his office is examining, a homeowner who paid $2,000 a year to State Farm ended up paying $6,000 a year to a new insurer.

Potential wrongdoing may occur when both mortgage servicing and insurance units are within the same company or affiliated in some way. That introduces a potential conflict because companies may have an incentive to place homeowners in policies offered by their affiliates rather than looking for the best rates on the open market.

David Neustadt, a spokesman for the state's financial services department, declined to comment on the investigation, but noted that Gov. Andrew M. Cuomo had combined the state's financial overseers to be able to take on what Mr. Neustadt called the "sometimes problematic overlap between banking and insurance."

Force-placed insurance was a niche industry before the financial crisis, but it has grown drastically in the last few years. As homeowners struggle to meet their mortgage bills, they often lapse on their home insurance payments first. Banks typically insist that homes backed by their mortgages must be insured, so that they have a way to collect money if the properties are damaged.

In many cases, banks are servicing loans on behalf of mortgage security investors, and banks have a duty to maximize recoveries on behalf of those investors. Force-placed insurance is one way banks try to protect against losses.

The investigators are looking for the potential conflict at Bank of America involving a unit called Balboa Insurance that it owned until last year. That unit's interaction with the bank's mortgage servicing is an important focus for Mr. Lawsky, the person familiar with the investigation said.

JPMorgan is a focus of the inquiry because in recent years the bank held a small financial stake in an insurance company called Assurant on behalf of its clients, the person said.

Mr. Lawsky's office is also investigating banks that do not own insurance companies to see if they received kickbacks for steering their mortgage clients' business to particular insurers. His office has not yet reached a settlement in this area with a large bank, but some smaller players in mortgage servicing, like Goldman Sachs, have already agreed to his demands that they change their practices with force-placed insurance.

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